

Message Text

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TAGS: EAIR ETRN BB AC

SUBJ: CIVAIR: LIAT FUTURE BRIGHTENS SLIGHTLY

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SUMMARY: OFFER OF POSSIBLE GOVERNMENT OF TRINIDAD AND TOGABO ASSISTANCE TO LIAT HAS BROUGHT SOME HOPE TO CARRIER'S SUPPORTERS BUT MAJOR PROBLEMS OF FINANCING, MANAGEMENT AND ROUTE ADJUSTMENT REMAIN UNRESOLVED. DESPITE VENEZUELA'S RESOURCES COMMONWEALTH CARIBBEAN STATES SEEM TO BE WARY OF LONG TERM GOVERNMENT VENEZUELA INVOLVEMENT IN LIAT. USG WOULD DO WELL TO ALLOW LIAT SITUATION TO MOVE FURTHER TOWARDS SETTLEMENT BY THOSE DIRECTLY CONCERNED RATHER THAN MAKE APPROACHES WHICH COULD BE MISUNDERSTOOD. END SUMMARY

1. OUTCOME OF POS MEETING, SPECIFICALLY POSSIBILITY OF LIAT SUPPORT BY GOTT, HAS GIVEN SOME HOPE TO BARBADOS, GRENADA AND ASSOCIATED STATES THAT MEANS WILL BE FOUND SOMEHOW TO KEEP
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TROUBLED CARRIER FLYING. ST. LUCIA PREMIER JOHN COMPTON,

RECENTLY TOLD BRITISH GOVERNMENT REPRESENTATIVE THAT "MEETING WENT WELL BUT THAT GOTT STILL HEMMING AND HAWING." ST. KITTS' DEPUTY PREMIER PAUL SOUTHWELL OPINED THAT "MEETING WAS VALUABLE DESPITE BARBADOS' PM BARROW BEING CHAIRMAN." WHILE LIAT FUTURE REMAINS FAR FROM ASSURED, THERE IS NO DOUBT THAT POSSIBILITY OF GOTT SUPPORT AND FACT THAT CARIBBEAN TERRITORIES HAVE BEEN ABLE TO GET TOGETHER ON PROBLEM HAVE PROVIDED MUCH-NEEDED HOPE FOR THOSE CONCERNED.

2. COMPTON TOLD BRITISH THAT POSSIBLE TT DOLS 750,000 SOFT LOAN FOR LIAT'S IMMEDIATE CASH REQUIREMENTS MAY LATER BE CHANGED INTO 15-25 PERCENT EQUITY FOR GOTT IN LIAT (1974) LTD. OTHER SHARES REMAIN AS REPORTED REFTEL (A) WITH SMALL PERCENTAGE (5-10 PERCENT) YET UNASSIGNED. MDC'S WOULD HAVE 2 YEARS AND LDC'S 4 YEARS TO SPREAD EQUITY PAYMENTS. MOST OF LDC'S CANNOT AFFORD TO COME UP WITH EQUITY FUNDS WITHOUT USING HMG AID MONIES BUT REPORTEDLY ONLY ST. KITTS ADMITTED TO THIS SITUATION AT POS MEETING.

3. ACCORDING TO BRITISH HIGH COMMISSION HERE, POS MEETING ALSO APPOINTED TEAM TO NEGOTIATE ADDITIONAL LOAN OF US DOLS 500,000 FROM CROWN AGENTS FOR LIAT'S IMMEDIATE CASH REQUIREMENTS. LIAT (1974) LTD. WILL ALSO TRY TO RE-NEGOTIATE TERMS OF GOV LOAN WITH AN EYE TO REDUCING HEFTY 14 PERCENT INTEREST LOAN. ATTENDEES WERE ASSURED THAT THERE WOULD BE NO FURTHER CUTS IN LIAT SCHEDULES. WE ALSO UNDERSTAND POS MEETING TOOK UP QUESTION OF FOREIGN AIRLINES COMPETING WITH LIAT AND THAT SPECIFIC CONTERMEASURES DISCUSSED WERE (A) STOPPING OF LANDING FEES FOR LIAT BY AREA GOVERNMENTS, AND/OR (B) REDUCTION OF FIFTH FREEDOM RIGHTS OF FOREIGN CARRIERS.

4. RE QUERY PARA 3 REFTEL (B): IT DOES NOT APPEAR TO US THAT GOB/CDB/LDC'S HAVE OR ARE CONSIDERING GOV AS SOURCE OF LONGER-TERM LIAT FINANCING. GOB CIVAIR ADVISOR IAN ARCHER STATES FLATLY THAT NO SUCH APPROACH HAS BEEN MADE TO GOV BEYOND INITIAL BRIDGING LOAN AND THAT COMMONWEALTH CARIBBEAN STATES WISH TO SETTLE AVIATION MATTER AMONG SELVES BEFORE GETTING INVOLVED WITH OUTSIDERS. CDB AND OTHER OBSERVERS ARE OF VIEW THAT CARIBBEAN STATES WOULD NOT LOOK FAVORABLY ON INCREASED GOV INVOLVEMENT AND BANK POINTS OUT THAT CURRENT EFFORTS ARE CONCENTRATING ON LIQUIDATING DEBT TO GOV RATHER THAN SEEKING TO INVOLVE VENEZUELA LIMITED OFFICIAL USE

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MORE IN CARRIER'S FUTURE. DESPITE GOV'S OBVIOUS FINANCIAL RESOURCES, COMMONWEALTH ISLANDS SEEM TO BE WARY OF LONGER TERM INVOLVEMENT OF GIANT NEIGHBOR IN LIAT VENTURE.

5. GOTT SUPPORT FOR LIAT MAY LEAD TO INCREASED REGIONAL ROLE FOR BWIA. ST. KITTS DEPUTY PREMIER PAUL SOUTHWELL RECENTLY MADE STATEMENTS INDICATING THAT ST. KITTS IS LIKELY TO BE SUPPORTIVE OF BWIA IN THIS REGARD. SIMILAR SENTIMENTS HAVE BEEN VOICED IN

LOWER KEY BY PM GAIRY OF GRENADA. SOUTHWELL REMARKS ARE LIKELY RELATED TO HIS EFFORTS TO HAVE BWIA SERVICE ST. KITTS (BRIDGETOWN 0231) BUT MAY ALSO BE PART OF GOTT QUID PRO QUO FOR ASSISTANCE TO LIAT.

6. CDB REGARDS LIAT LOAN APPLICATION AS BEING FAR FROM DECISION STAGE. BANK POINTS OUT THAT IT HAS RECEIVED NO ANSWER WHATSOEVER TO SERIES OF QUESTIONS DEMAS POSED TO LIAT (1974) LTD. LAST NOVEMBER AND NOTES THAT BASIC QUESTIONS OF EQUITY AND ROUTE RATIONALIZATION STILL REMAIN TO BE SETTLED. BANK STATES THAT IT WOULD ACCEPT ANY TWO AREA MDC'S WHICH IT DEEMS FINANCIALLY CAPABLE AS GUARANTORS FOR LIAT LOAN BUT STRESSES THAT LOAN NEGOTIATIONS HAVE NOT PROGRESSED VERY FAR.

7. IN VIEW OF MANY UNRESOLVED QUESTIONS ABOUT LIAT'S FUTURE, EMBASSY SUGGESTS THAT BEST COURSE OF ACTION FOR U.S. WOULD BE TO CONTINUE TO ALLOW REGIONAL GOVERNMENTS TO CONFRONT ISSUES RELATED TO VIABLE OPERATION OF LIAT AND, WITH HELP OF HMG AND GOC. TO RESOLVE THEM WHERE POSSIBLE. TECHNICAL ASSISTANCE OF SORT PROPOSED REFTTEL(C) MIGHT BE HELPFUL, BUT WE SEE NO ADVANTAGE IN INVOLVING USG AT THIS POINT. IN FACT, APPROACHES AT A TIME WHEN LIAT SUPPORTERS ARE DESPERATE FOR FINANCING ARE QUITE LIKELY TO BE MISUNDERSTOOD WITH RESULT THAT PRESSURE MAY BE BROUGHT ON USG TO BECOME FINANCIALLY INVOLVED IN ONE WAY OR ANOTHER.
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